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ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

July 12, 2002

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

RECORDATION NO. 24030 FILED

JUL 12 '02 2:17 PM

SURFACE TRANSPORTATION BOARD

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Memorandum of Lease and Security Agreement, dated as of July 12, 2002, a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Lessor: Merrill Lynch Capital
(a division of Merrill Lynch
Business Financial Services Inc.)
222 N. LaSalle Street
17th Floor
Chicago, IL 60601

Lessees: Kasgro Leasing, LLC
320 East Cherry Street
New Castle PA 16102

Kasgro Rail Corp.
320 East Cherry Street
New Castle PA 16102

Mr. Vernon A. Williams
July 12, 2002
Page Two

A description of the railroad equipment covered by the enclosed document is:

31 railcars bearing KRL reporting marks and road numbers attached hereto.

A short summary of the document to appear in the index is:

Memorandum of Lease and Security Agreement

Also enclosed is a check in the amount of \$30.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Alvord', with a stylized flourish at the end.

Robert W. Alvord

RWA/anr
Enclosures

ANNEX A

Number and Type of Subject Railcar	Car Mark and Number	
Thirteen 70' Flat Deck, 8 Axle, 230 Ton Flat Cars	KRL	70848
		70849
		70850
		70851
		70852
		70866
		70867
		70868
		70870
		70871
		70872
		70873
		70874
Two 32' Depressed Center, 16 Axle, 450 Ton Flat Cars	KRL	163200
		163201
Six 27' Depressed Center, 8 Axle, 150 Ton Flat Cars	KRL	27800
		27801
		27802
		27803
		27804
		27805
Six 50' Flat Deck, 8 Axle, 250 Ton Flat Cars	KRL	50804
		50805
		50806
		50807
		50808
		50809
Four 38' Depressed Center, 8 Axle, 150 Ton Flat Cars	KRL	388000
		388001
		388002
		388005

MEMORANDUM OF LEASE AND SECURITY AGREEMENT

This Memorandum of Lease and Security Agreement (this "Memorandum") is executed as of July 12, 2002, by and between **MERRILL LYNCH CAPITAL**, a division of Merrill Lynch Business Financial Services Inc., as Lessor (the "Lessor"), and **KASGRO RAIL CORP.**, a Pennsylvania corporation and **KASGRO LEASING, LLC**, a Pennsylvania limited liability company, jointly and severally as Lessee (together, the "Lessee").

The Lessor and the Lessee have entered into a Master Lease Agreement dated as of July 12, 2002 (the "Master Lease Agreement") and have entered into a Lease thereunder with an effective date of July 12, 2002 (the "Lease") by which Lessor has leased to Lessee certain railroad equipment described on and bearing reporting marks and road numbers as provided on Annex A (the "Railcars") and Lessee has granted a security interest to Lessor in all of Lessee's right, title and interest, present and future, in and to all assets of the Lessee to the extent directly pertaining to the Railcars, including, without limitation, all Permitted Subleases (as defined in the Lease) and all accounts, commercial tort claims, chattel paper, contracts, deposit accounts, documents, equipment, general intangibles, goods, instruments, inventory, investment property, money and supporting obligations (as such terms are defined in the Uniform Commercial Code as adopted in the State of Illinois) to the extent directly pertaining to the Railcars, and the products, proceeds and collections thereof, whether now owned or hereafter arising or acquired, and the parties desire to enter into this Memorandum to give record notice of the existence of the Lease and the grant of the security interest thereunder.

The purpose of this Memorandum is to give record notice of the existence of the Lease, and all terms and conditions of the Lease are incorporated by reference herein.

This Memorandum is prepared only for the public record and is being recorded with the Surface Transportation Board pursuant to 49 U.S.C. 11301(a).

[signature page to follow]

RECORDATION NO. 24030 FILED

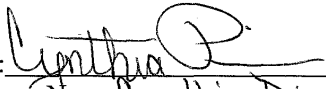
JUL 12 '02 2:17 PM

SURFACE TRANSPORTATION BOARD

IN WITNESS WHEREOF, the undersigned has caused this Memorandum to be executed by a duly authorized officer as of the day and year first above written.

**MERRILL LYNCH CAPITAL, a division
of Merrill Lynch Business Financial
Services Inc.,**

Lessor

By: 
Name: Cynthia Prince
Title: AVP, Documentation Mgr.

KASGRO RAIL CORP.,

Lessee

By: _____
Jeffrey A. Plut
Executive Vice President and Chief
Financial Officer

KASGRO LEASING, LLC,

Lessee


By: _____
Jeffrey A. Plut
Executive Vice President and Chief
Financial Officer

IN WITNESS WHEREOF, the undersigned has caused this Memorandum to be executed by a duly authorized officer as of the day and year first above written.

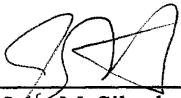
**MERRILL LYNCH CAPITAL, a division
of Merrill Lynch Business Financial
Services Inc.,**
Lessor

By: _____
Name: _____
Title: _____

KASGRO RAIL CORP.,
Lessee

By:  _____
John M. Silseth
Vice President

KASGRO LEASING, LLC,
Lessee

By:  _____
John M. Silseth
Vice President

STATE OF ILLINOIS)
)
COUNTY OF COOK)

BEFORE ME, a Notary Public of the State and County aforesaid, personally appeared Cynthia Prince, who upon oath, acknowledged herself to be an Assistant Vice President of MERRILL LYNCH CAPITAL, a division of Merrill Lynch Business Financial Services Inc., a Delaware corporation, and that she as such officer being authorized to do so, executed the foregoing Memorandum of Lease and Security Agreement for the purposes therein contained by signing the name of the company by herself as an officer of Merrill Lynch Capital.

WITNESS my hand and official seal this 11 day of July, 2002.

Notary Public

MY COMMISSION EXPIRES:



ACKNOWLEDGMENT

STATE of Wisconsin)
COUNTY OF Milwaukee)

BEFORE ME, a Notary Public of the State and County aforesaid, personally appeared John M. Silseth, who upon oath, acknowledged himself to be a vice president of KASGRO RAIL CORP., a corporation, and that he as such officer being authorized to do so, executed the foregoing Memorandum of Lease and Security Agreement for the purposes therein contained by signing the name of the corporation by himself as such officer of Kasgro Rail Corp.

WITNESS my hand and official seal this 12th day of July, 2002.

Michi L. Zepherin
Notary Public

MY COMMISSION EXPIRES: 1/30/05

STATE OF Wisconsin)
COUNTY OF Milwaukee)

BEFORE ME, a Notary Public of the State and County aforesaid, personally appeared John M. Silseth, who upon oath, acknowledged himself to be vice president of KASGRO LEASING, LLC, a Pennsylvania limited liability company, and that he as such officer being authorized to do so, executed the foregoing Memorandum of Lease and Security Agreement for the purposes therein contained by signing the name of the limited liability company by himself as such officer of Kasgro Leasing, LLC.

WITNESS my hand and official seal this 12th day of July, 2002.

Michi L. Zepherin
Notary Public

MY COMMISSION EXPIRES: 1/30/05

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